

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07  
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15  
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00  
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 FEA-01 ACDA-07  
ERDA-05 OES-07 NRC-05 AGRE-00 STR-04 DOTE-00  
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TO AMEMBASSY ROME  
INFO SECSTATE WASHDC 1992  
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E.O. 11652: N/A  
TAGS: EGEN  
SUBJECT: GENOA'S US BUSINESS COMMUNITY SEES  
HOPEFUL SIGNS IN ITALIAN SITUATION

SUMMARY: FURING A RECENT MEETING WITH A SMALL GROUP OF  
AMERICAN BUSINESSMEN BASED IN LIGURIA, I FOUND THEM MODERATELY  
OPTIMISTIC REGARDING ITALY'S NEAR TERM BUSINESS CLIMATE AND  
IMPRESSED BY A REVIVAL OF CONFIDENCE AMONG THEIR ITALIAN  
COUNTERPARTS. THESE BUSINESSMEN, REPRESENTING BOTH THE  
SHIPPING AND MANUFACTURING SECTORS, CONFIRMED THAT: A) ITALIAN  
EXPORTS, AIDED BY THE LIRA DEVALUATION, ARE ON THE INCREASE  
AND FINDING NEW MARKETS, INCLUDING THE US;  
B) ITALIAN CONSUMERS HAVE BECOME MORE PRICE CONSCIOUS IN THEIR  
PURCHASE OF BASIC NECESSITIES; C) UNIONS ARE PLAYING A MORE  
RESPONSIBLE ROLE IN LABOR-MANAGEMENT RELATIONS; AND D) THE  
TOTAL NUMBER OF MAN-HOURS LOST TO STRIKES HAS DECLINED, BUT  
SPOT STRIKES OF SHORT DURATION ARE STILL AFFECTING A  
NUMBER OF FIRMS AND PROVING JUST AS DISRUPTIVE AS TOTAL  
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WALKOUTS. THEY WERE SKEPTICAL THAT THE GOI'S  
CRACKDOWN ON TERRORISM WOULD BRING IMMEDIATE CORRECTIVE  
RESULTS. THE SHIPPING LINE REPRESENTATIVES DREW ATTENTION  
TO THE GROWING RELUCTANCE OF US FLAG LINES TO USE GENOA AS  
A PORT OF CALL BECAUSE OF SOARING COSTS. FINALLY, A  
CONSULTANT ON NUCLEAR ENERGY REPORTED THAT HIS WORKING LEVEL  
CONTACTS WERE CONCERNED AND CONFUSED OVER THE PRESIDENT'S

POLICIES ON NUCLEAR ENERGY AND FAST BREEDER REACTOR. COMPLETE MEMCONS BEING POUCHED SEPARATELY. END SUMMARY.

WHAT FOLLOWS ARE HIGHLIGHTS OF AN INFORMAL TOUR D'HORIZON WITH A GROUP OF AMERICAN BUSINESSMEN OPERATING IN GENOA HELD AT THE CONSULATE IN LATE JULY.

A. BUSINESS CONFIDENCE

NEARLY ALL US BUSINESSMEN DETECTED A GENERAL REVIVAL OF CONFIDENCE IN THE BUSINESS COMMUNITY AND ARE MODERATLY OPTIMISTIC REGARDING THEIR OWN PROSPECTS OVER THE SHORT-TERM I.E. FOR THE BALANCE OF 1977.

THE GENERAL MANAGER OF A US SUBSIDIARY, WITH HEADQUARTERS IN GENOA AND PLANTS IN PIEDMONT AND CAMPANIA, REPORTED THAT HIS US DIRECTORS WERE TAKING A NEW AND MORE FAVORABLE LOOK AT ITALY FOR POSSIBLE EXPANSION. IN 1975, THE SAME US MANAGERS WERE PREPARED TO WRITE OFF THEIR ITALIAN INVESTMENT, HE SAID. WHAT HELPED TO REVERSE THEIR ORIGINAL OUTLOOK WAS THE COMPANY'S FAVORABLE PROFITS FOR 1976 AND THE FIRST HALF OF 1977, ALTHOUGH THEIR OVERALL 1977 PERFORMANCE IS SLIGHTLY DOWN FROM 1976.

ANOTHER PARTICIPANT OBSERVED THAT SEVERAL OF HIS ITALIAN BUSINESS COLLEAGUES AND OTHER PROFESSIONALS, WHO WERE CONTEMPLATING EMIGRATING ABROAD SEVERAL MONTHS AGO, HAVE NOW ABANDONED THEIR PLANS. MANY OF THESE SAME PEOPLE HAVE ALREADY LIMITED OFFICIAL USE

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REPATRIATED THEIR CAPITAL FROM ABROAD OR ARE EXPLORING MEANS FOR DOING SO. THE GENERAL CONSENSUS WAS THAT CAPITAL FLIGHT IS A PHENOMENON OF THE PAST.

B. EXPORTS

THE TWO SHIPPING REPRESENTATIVES PRESENT REPORTED THAT THE LIRA DEVALUATION WAS FUELING ITALIAN EXPORTS OF ALL TYPES OF COMMODITIES. ONE LINE HAS NOTED ITALIAN PRODUCTS WINNING WIDER ACCEPTANCE IN THE AMERICAN MIDDLE WEST, A RELATIVELY NEW MARKET. BASED ON THE HEAVY ADVANCE BOOKINGS FOR OUTBOUND CARGOS OVER THE NEXT FEW MONTHS, NEITHER SHIPPING REPRESENTATIVE FORESEES ANY SIGNIFICANT DOWNTURN IN ITALIAN EXPORTS IN THE NEAR FUTURE, I.E. FOR THE BALANCE OF THIS YEAR.

C. DOMESTIC SALES

WHEREAS ALL PARTICIPANTS HAD NOTED AN INCREASE IN EXPORT SALES, MOST AGREED ON THE WEAKNESS OF THE INTERNAL DEMAND FOR THE VERY SAME EXPORT PRODUCTS. THE ITALIAN CONSUMER IS NOW MORE PRICE CONSCIOUS AND IS BUYING LOWER-PRICED

MERCHANDISE. ONE SPECIFIC EXAMPLE REVEALED THAT HOUSEWIVES HAD SWITCHED FROM LIQUID AND OTHER HIGHER PRICED DETERGENTS TO THE LOWEST PRICED SOAP POWDERS FOR THEIR HOME LAUNDRY NEEDS.

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#### D. LABOR RELATIONS

THE US BUSINESSMEN NOTED THAT THERE HAD BEEN AN OVERALL IMPROVEMENT IN LABOR-MANAGEMENT RELATIONS IN LIGURIA. UNION LEADERS IN SEVERAL PLANTS HAVE CRITICIZED HIGH ABSENTISM AND SUPPORTED MANAGEMENT IN THE FIRING OF FLAGRANT VIOLATORS. IN ONE COMPANY, UNIONS LEADERS ACCEPTED INTRA-COMPANY TRANSFERS OF EXCESS WORKERS ON CONDITION THAT NO JOBS BE LOST IN THE SHUFFLE. IN RECENT CONTRACT NEGOTIATIONS, LABOR HAS PREFERRED LONG-TERM JOB SECURITY TO INFLATIONARY SALARY INCREASES. FOR INSTANCE, UNIONS IN A COMPANY EMPLOYING MORE THAN 2000 WORKERS, ACCEPTED MODEST WAGE INCREASES PHASED OVER THE NEXT TWO YEARS IN EXCHANGE FOR A COMPANY COMMITMENT TO MAKE NEW INVESTMENTS. THE EMPLOYER IS PLEASED WITH THIS FIXED LABOR COST STRUCTURE WHILE THE UNIONS VIEW THE COMPANY'S COMMITMENT TO MAKE NEW INVESTMENT AS BOTH ASSURING THEIR MEMBERS EMPLOYMENT AND

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OPENING NEW OPPORTUNITIES. UNION NEGOTIATORS WERE NOT INTERESTED IN OBTAINING A CO-MANAGEMENT ROLE. SEVERAL BUSINESSMEN COMMENTED THAT THEY PREFERRED TO DEAL WITH THEIR CGIL STEWARDS WHO APPEAR TO BE MORE "RESPONSIBLE" AND "BETTER PREPARED" THAN THEIR COUNTERPARTS IN THE OTHER UNIONS. THERE HAS BEEN LITTLE EVIDENCE OF RANK-AND-FILE DISCONTENT WITH THE CGIL IN THE AMERICAN SUBSIDIARY PLANTS.

DESPITE THE PERCEPTIBLE IMPROVEMENT IN LABOR-MANAGEMENT RELATIONS, THE PROBLEM OF STRIKES REMAINS. WHILE THE TOTAL NUMBER OF STRIKE HOURS IS DOWN, SEVERAL PARTICIPANTS CALLED ATTENTION TO LABOR'S NEW TACTIC OF SPOTTING PARTIAL STRIKES THROUGHOUT A COMPANY. THIS TACTIC IS A NUISANCE, DELAYS PRODUCTION, AND KEEPS MANAGEMENT'S COSTS HIGH SINCE THE STRIKERS CONTINUE TO DRAW WAGES, UNLIKE THE SITUATION WHICH PERSISTS DURING A GENERAL STRIKE WHEN WAGES STOP.

#### E. PORT OF GENOA

OUR SHIPPING REPRESENTATIVES WERE GENERALLY PESSIMISTIC ON ANY SIGNIFICANT INCREASE IN NEW TRAFFIC MOVING THROUGH THE PORT OF GENOA. WHILE THE TOTAL VOLUME OF TRAFFIC REMAINS HIGH, GENOA IS LOSING MUCH OF ITS HIGH REVENUE CARGOS TO LIVORNO, LA SPEZIA AND MARSEILLES-FOS. GENOA'S HIGH TARIFF STRUCTURE, INEFFICIENT CONTAINER OPERATIONS, AND GENERAL CONGESTION ARE CAUSING US FLAG SHIPS TO CALL LESS FREQUENTLY. ACCORDING TO LOCAL NEWSPAPERS REPORTS MORFLOT, THE SOVIET SHIPPING LINE, IS FINDING THESE SHORTCOMINGS IN THE PORT OF GENOA SUFFICIENTLY WORRYING TO EXPLORE OTHER ALTERNATIVE PORTS FOR ITS OPERATIONS. US SHIPPERS ARE NOT READY TO WRITE GENOA OFF, HOWEVER, AND BELIEVE THAT THE PORT CAN RECAPTURE SOME OF ITS LOST CARGO BY ADOPTING SEVERAL SIMPLE 2. REDUCTION OF LABOR UNREST;  
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3. MORE EFFICIENT LAND MOVEMENTS OF CARGOS IN AND OUT OF THE PORT.

#### F. ITALIAN CONFUSION OVER US NUCLEAR ENERGY POLICY

A US CONSULTANT ON NUCLEAR ENERGY NOTED THAT HIS ITALIAN WORKING LEVEL CONTACTS ARE CONFUSED OVER THE REAL OBJECTIVES OF PRESIDENT CARTER'S NUCLEAR ENERGY POLICIES. HIS ITALIAN COLLEAGUES PERCEIVE THE PRESIDENT'S ATTITUDES ON DEVELOPMENT OF THE FAST BREEDER REACTOR AS TACTICAL MOVES TO GIVE THE

US TIME TO CATCH UP WITH THE EUROPEANS LEAD IN THE SECTOR. HE CAUTIONED THAT THE USG COULD RISK ALIENATING THE LARGE NUMBER OF ITALIAN NUCLEAR TECHNICIANS WHO WERE TRAINED IN THE US AND WERE FAVORABLE TO US NUCLEAR TECHNOLOGIES AND SYSTEMS.

G. TERRORISM

SEVERAL OF THE BUSINESSMEN NOTED THAT THE TERRORIST INCIDENTS WERE PROVOKING MORE POLEMICS THAN REAL CONCERN AMONG THEIR BUSINESS CONTACTS. AS LONG AS TERRORISTS ARE SELECTIVE IN THEIR TARGETS AND DIRECT THEIR ATTACKS TO SINGLE INDIVIDUALS RAIPIANTS DOUBT THAT THE ITALIANS CAN ADJUST TO THE STRINGENT SECURITY MEASURES THAT WOULD BE NECESSARY TO COPE WITH THIS NEW CHALLENGE.

COMMENT: THE CAUTIOUSLY OPTIMISTIC ASSESSMENT OF US BUSINESSMEN DESCRIBED ABOVE IS IN SHARP CONTRAST WITH THEIR ATTITUDES AT YEAR'S END WHEN, DURING A SIMILAR MEETING, MOST OF THEM WERE FAIRLY PESSIMISTIC ABOUT EVEN SHORT-TERM PROSPECTS. IT IS ALSO SOMEWHAT AT VARIANCE WITH THE MOST RECENT INDICATORS WHICH SEEM TO PORTEND SOME ROUGH SLEDDING AHEAD FOR LIGURIA'S INDUSTRIAL SECTOR, WHICH IS OF COURSE, MAIN PROP OF REGION'S ECONOMY.DISCIUULLO

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